

Article 5A.

Capital Appreciation Bonds.

§ 159-99. Definition; terms and conditions.

(a) Capital Appreciation Bond Defined. – For purposes of this Article, the term "capital appreciation bond" means a bond that meets all of the following conditions:

- (1) It is sold, at public or private sale, at a price substantially less, as conclusively determined by the issuer of the bond, than the principal amount of the bond.
- (2) Compounded interest on the bond is payable at maturity.
- (3) The bond is designated as a capital appreciation bond within the meaning of this Article by the proceedings of the issuer of the bond providing for its issuance.

(b) Calculating Principal Amount. – For purposes of calculating the aggregate principal amount of bonds within the meaning of any constitutional or statutory limitation on the incurrence of debt, the aggregate principal amount of any capital appreciation bonds is the aggregate of the initial offering prices at which the bonds are offered for sale to the public, including private or negotiated sales, or sold to the initial purchaser of the bonds in a private placement, in either case without reduction to reflect underwriters' discount or placement agents' or other intermediaries' fees.

(c) Terms and Conditions. – The proceedings providing for the issuance of any capital appreciation bonds may provide for the issuance of terms bonds or serial bonds, or both, the establishment of sinking funds for or the redemption of term bonds, the issuance of capital appreciation bonds at the same time and as part of the same issue of any other type of bonds, the method of calculating the principal amount of any such capital appreciation bonds outstanding for the purpose of determining, within the meaning of the proceedings and otherwise, application of debt service provisions, funds into which debt service payments are to be deposited, application of redemption provisions, bondowners' voting rights and consents, pro rata application of available funds, and any other matters the issuer considers appropriate. (1987, c. 650; 2004-170, ss. 40(a), 40(c).)

§ 159-100. Authorization.

(a) Revenue Bond Act. – The State and local governmental units are authorized to issue capital appreciation bonds pursuant to the provisions of The State and Local Government Revenue Bond Act.

(b) Local Government Bond Act. – Local governmental units are authorized to issue capital appreciation bonds pursuant to the provisions of The Local Government Bond Act. In connection with the issuance of a series of bonds containing capital appreciation bonds issued by local governmental units pursuant to The Local Government Bond Act, the Local Government Commission may require that annual debt service on the series of bonds be as nearly level or equal as possible taking into consideration prevailing financial techniques, including, without limitation, the postponement of principal maturities in early years of the issue and the use of capitalized interest. The Local Government Commission may also limit the amount of a series of bonds that may be issued as capital appreciation bonds and to make the issuance of any capital appreciation bonds subject to a finding by the Commission or the issuer that the issuance of the bonds will not increase the aggregate amount of debt service payable on the series of bonds of which the capital appreciation bonds constitute a part.

(c) Future Acts. – Local governmental units are authorized to issue capital appreciation bonds pursuant to the provisions of any law enacted in the future. (1987, c. 650; 2004-170, ss. 40(b), 40(c).)